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SUBJECT: CORRUPTION ENDEMIC IN BABIL PUBLIC WORKS CONTRACTS

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11. (SBU) Summary: Big ticket corruption in Babil province involves tens of millions of dollars of public works contracts reportedly steered to a contracting company owned by the brother of Governor Salim Saleh Al-Muslimawi, who Provincial Council members tell us sits at a nexus of corruption. Systematic bureaucratic corruption and taking advantage of specific targets of opportunity are particularly pronounced in land transactions.

A Nexus of Corruption

2.(SBU) Provincial Council (PC) members told the PRT that Governor Salim Saleh Al-Muslimawi sits at the center of a nexus of corruption for public works contracts. Working with his closest cronies, technical assistant Abdul Razak and chief of staff Lieutenant-Colonel Thamir (Abu Huda), the Governor has reportedly steered tens of millions of dollars of lucrative contracts and sub-contracts to political allies, associates and family members, in particular to through the Almuraba'a company owned by the Governor's brother Sheikh Ne'ama Saleh Al-Muslimawi according to local politicians and businessmen. Businessmen have complained to the PRT that steering public works contracts to selected firms reduces the quality of infrastructure because after officials take their cut less remains for the actual work; creates a culture of corruption in which contractors are forced to pad bids on public sector projects and; undermines public confidence in the government.

3.(SBU) PC members and local construction companies have told the PRT that the contracts for building two street-bridge contracts in Babil's capital Al-Hillah are good examples of the way the Governor operates. In the 80th street-bridge project the contract reportedly went to a company with no experience for USD 3.5 million over the original estimate because it agreed to give Almuraba'a a lucrative sub-contract. In the 60th street-bridge project the Abdullah Uwaiz company (not owned by the Governor or his relatives) had its low bid rejected on a technicality so the project could be awarded to Almuraba'a at a higher price. When Abdullah Uwaiz complained, Almuraba'a reportedly paid it USD 225,000 to drop the issue.

4.(SBU) The Almuraba'a company has lost contracts, but even that has raised questions. The PC reportedly stopped a contract with Almuraba'a for the construction of five water processing plants based on a finding that the company lacked the capacity to do the work. The Albu'd Alrabe'a company won the second bid at a price USD 8.5 million less than that the price Almuraba'a

had won the bid for the first go-round. PC members have questioned how Almuraba'a could have received the first bid at a price that was so much higher than a later bid.

5.(SBU) Governor Salim Saleh Al-Muslimawi reportedly has demanded kick-backs for projects that are not done by Almuraba'a. Foreign companies were reportedly discouraged from bidding on sewer and water expansion projects by being falsely told the projects were already bid out: the Governor wanted them to go to local companies that would give him a kickback. Reportedly a project for a new five-story Government Center was held up because no contractor wanted to pay the governor the USD 350,000 kick-back he insisted on.

Rigging Contracts

6.(SBU) Different techniques are used to rig contracts. One method is to provide requests for bids only to a preselected company which then submits multiple bids under different names. This was the method reportedly used to ensure that one company got the bids for building Water Department warehouses. Arguably the most brazen method is to simply change competitors' bids. Reportedly the fix was in for the Al Kifil hospital construction project to go to a company in which some PC members had an interest: when the bids were opened a PC member simply took the lowest bid and added a 0 making the bid appear ten times higher than it was so that the selected company then had the lower bid. When the company whose bid was multiplied learned what happened

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they complained to the Governor to no avail.

7.(SBU) Another method to rig bids is for a contractor to submit a bid with a blank price. Colluding officials then fill in a bid price after they have opened the other bids to ensure that the preselected bid is the lowest. A variant leaves blanks for sub-items but has a total price. Officials fill the blanks in and recalculate the total bid price to ensure that it is lower. The advantage of this method is that the company can wait until after it has been awarded the contract and then claim the initial higher bid price should be used.

Administrative Corruption: Baksheesh

8.(SBU) Institutional corruption in which government employees require payment for services, baksheesh, is particularly pronounced in offices dealing with registering lands or persons. When land is transferred its value is estimated and a new tax rate is established based on the estimate. Booths of land-value facilitators line the streets in front of the land registration building and, for a fee, use their connections to get a lower tax rate. Facilitators are well organized: they recently came to a common agreement to double their standard rates from about USD 150 to USD 300 because land values in the province had increased dramatically in the past year.

9.(SBU) Renewing resident cards and obtaining passports often costs more than the official price. Muktars in Babil reportedly

ask for 5,000 ID for the initial certification for resident cards and police (who issue the card) demand 25,000 ID to accelerate the process. Police may feel some justification in demanding baksheesh since they reportedly have to pay their first two months salary to the selection committee to get a job. Getting a passport can also cost an extra USD 100, especially if the applicant needs it quickly.

Targets of Opportunity

10.(SBU) Land issues create numerous targets of opportunity. Employees of the government Land Department have reportedly been forging ownership documents when owners are dead. Land is either put in the name of their relatives or people willing to pay the employees a price. A senior surveyor in the office has reportedly been charged with taking bribes to forge land registration documents and fake surveys.

11.(SBU) Criminal cases also create the potential for corruption. The murder trial for the assassination of Babil's police chief Maj. Gen. Qais Hamza Mamouri has been repeatedly postponed due to a failure to bring the defendants from Baghdad's detention center to the Central Court. One excuse was that police could not locate the defendants in the jail. The sergeant responsible for bringing the defendants to court was recently spotted driving a 2009 Toyota sedan worth about two years of his salary according to an Iraqi journalist.

12.(SBU) Comment: The level of corruption in public works construction controlled by the provincial government, endemic in Babil province, may be an unintended consequence of decentralization. It may also help explain why Babil has almost 1,500 PC candidates (more than any province outside of Baghdad). One local construction contractor told us that almost all PC members are busy getting a piece of the action.

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